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SUBJECT: NETHERLANDS: REASSESSMENT OF DUTCH DEVELOPMENT COOPERATION

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11. (U) SUMMARY: Despite the economic crisis, the Netherlands continues to comply with the UN recommendation of spending 0.7 percent of GDP on official development assistance (ODA) with an additional 0.1 percent for other overseas projects. Faced with sharp criticism of Dutch aid policy's effectiveness and budgetary constraints, Development Minister Bert Koenders recently announced the details of revised policies with respect to NGOs and multilateral organizations. Dutch bilateral aid focuses on 33 partner countries, with significant support to Indonesia, Sudan, Afghanistan, Pakistan, and the Palestinian Authority. Despite the difficult economic situation, Koenders is working to sustain Dutch leadership in international development. END SUMMARY.

Dutch ODA budget

12. (U) The current government (a coalition of Christian Democrats/CDA, Labor/PvdA, and Christian Union/CU) agreed in 2007 to continue the policy of contributing 0.7 percent of Dutch GDP to ODA with an additional 0.1 percent for sustainable energy projects in developing countries. As Dutch 2008 GDP was 600 billion euro, total ODA was approximately 5 billion euro:

-- 1.3 billion euro in bilateral aid to 'partner countries'
-- 3 billion euro to thematic areas such as safety and development; growth and equity; human rights and opportunities for women and girls; and sustainability, climate, and energy
-- 0.7 billion euro to multilateral organizations.

ODA budget pressures

13. (SBU) Even though there are no plans to change the 0.8 percent policy, the ODA budget is facing cutbacks. As GDP is forecast to

drop by 3.5 percent this year and by 0.75 percent in 2010, the ODA budget will shrink proportionately. Peter Schuurman, ODA Budget Coordinator at MFA, expects budget cuts of 400 million euro this year although the Government of the Netherlands (GONL) has not yet decided exactly which programs will be cut.

Changes in NGO and multilateral organizations policies

¶4. (SBU) On April 15, Koenders presented his revised policy with respect to NGOs. The number of subsidized NGOs will be reduced from 73 to 30 by 2010. Koenders called on NGOs to show more "efficiency" and to "cooperate better." Depending on how well NGO proposals reflect this advice, the current 525 million euro NGO budget will be cut by 25-100 million euro. As part of the new policy, organizations must generate at least 25 percent of their budget from private donations and cannot use ministry subsidies for fundraising campaigns. Koenders also called on Dutch NGOs to listen more to local NGOs in developing countries. Further, he will free up more money for embassies to finance local NGOs directly. Schuurman told Qmoney for embassies to finance local NGOs directly. Schuurman told EconOffs that even though modernizing the NGO policy was previously announced in 2007, the reduced budget for NGOs would count towards the cutbacks that Koenders must make.

¶5. (U) On April 23, Koenders published a new policy blueprint "Working together on global challenges: the Netherlands and multilateral cooperation." As with NGOs, he called on multilateral institutions to work together more effectively, make results visible and align policies more closely with the needs of the developing countries. His goal is to end the fragmentation of Dutch assistance. In 2008 approximately 26 percent of the ODA budget went to multilateral organizations:

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- EU development aid (9 percent)
- UN institutions (7 percent)
- International Financial Institutions (7 percent)
- Global funds, such as the Global Environmental Facility (3 percent).

¶6. (U) Koenders has said the GONL would contribute more to multilateral organizations if they modernize. Specifically, he has called on them to:

- improve cooperation and better divide their tasks
- improve the connection with national policy plans and systems
- further decentralize (local offices should have more authority)
- improve their personnel policy
- make concrete results visible
- increase representation of developing and emerging countries
- improve financing behavior of their bilateral donors
- increase social involvement with all stakeholders (i.e., local governments, NGOs, private sector).

Bilateral aid to partner countries

¶7. (SBU) Koenders announced in 2007 the GONL would drop seven of its 40 "partner countries" (Bosnia Herzegovina, Eritrea, Sri Lanka, Albania, Armenia, Cape Verde, and FYR Macedonia) by 2011 (Ref A). Schuurman mentioned this process could be accelerated as part of the budget cutbacks. Aid to the remaining 33 countries could also face cutbacks. Partner countries are divided into three groups:

- accelerated achievement of MDGs (the poorest countries)
- security and development: high priority fragile states (Afghanistan, Burundi, Colombia, Congo, Kosovo, Pakistan, Palestinian Territories, and Sudan) which are not likely to face cutbacks
- broad-based relationship (middle income countries).

¶8. (U) The top ten recipients of Dutch bilateral ODA in 2008 were

(these figures exclude aid via multilateral organizations and NGOs):

- Indonesia (104 million euro)
- Sudan (75)
- Mozambique (71)
- Tanzania (69)
- Burkina Faso (62)
- Ghana (61.9)
- Afghanistan (58)
- Zambia (58)
- Bangladesh (58)
- Uganda (57)

Dutch multilateral and bilateral ODA to Sudan

¶9. (U) For several years, Sudan has been a priority of the Dutch 'fragile states' policy. The vast majority of funding goes to regional stability and crisis management projects, with smaller amounts to address poverty and human rights. The GONL's primary focus is to support the peace process between northern and southern Sudan through implementation of the Comprehensive Peace Agreement (CPA). Via the Assessment and Evaluation Commission (AEC), the Netherlands plays a role in bringing together the NCP and SPLM with the aim of working out deals on issues that frustrate CPA implementation. The GONL is planning to support the 2010 election process if it is credible and the Sudanese people will be able to decide their own future. The Netherlands also contributes to the reconstruction effort and the buildup of capabilities in southern Sudan, and it is focused on creating stability in the transition QSudan, and it is focused on creating stability in the transition areas of Abyei, South Kordofan, and Blue Nile through interventions in the area of reconstruction, defining borders and security.

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¶10. (U) The GONL is also trying to assist in bringing about a peace settlement in Darfur. It provides humanitarian assistance through channels still available in Darfur and is prepared to contribute to bringing about a cease-fire and a peace accord there and to enhance the effectiveness of UNAMID. The GONL maintains close contact with AU/UN chief negotiator Bassol and his team. Insofar as possible, the Netherlands will take the lead in the area of small-scale reconstruction.

Dutch multilateral and bilateral ODA to Afghanistan

¶11. (U) In 2008 the Netherlands donated through bilateral and multilateral channels 83.4 million euro in development aid to Afghanistan as part of a 2006-2008 commitment of 223.8 million euro. The Dutch bilateral efforts focus on Uruzgan Province, where Dutch troops lead the ISAF mission. This assistance went to:

- education (16.8 million euro) including 15 schools already opened and 24 under construction in Uruzgan
- health (3.6 million euro) including renovation of a district hospital and regional health center in Tarin Kowt
- rural development, economic development, and infrastructure (66.1 million euro) including replacing poppy plantations with saffron production and construction and rehabilitation of roads, bridges, irrigation channels and wells
- security (7.3 million euro) including development of the police force (The GONL announced in mid-May 2009 the successful completion by the first graduates of its 13-week district development police training course)
- institutional capacity development (1.6 million euro) including support to strengthen local governance at national and provincial level.

Dutch multilateral and bilateral ODA to Pakistan

¶12. (U) Koenders announced at the Pakistan donor conference in Tokyo on April 17 that the Netherlands officially joined the Friends of Democratic Pakistan. The Netherlands suspended development aid to Pakistan in November 2007 after Musharraf declared a state of emergency. Koenders has earmarked 20 million euro for Pakistan in 2009, saying the GONL "will renew development relations with Pakistan cautiously, first concentrating on regional water projects with Afghanistan (Kabul river management) and the peace jirga."

¶13. (U) Koenders recently condemned the introduction of sharia law in the Swat valley in northwest Pakistan as a "capitulation to the Taliban and a severe blow to women's rights." A top Dutch priority is public education, especially for girls, and as an alternative to madrassas. The Netherlands will also become actively involved in the areas of good governance, human rights, poverty reduction, and the environment. But he warned the GONL "will not expand aid until democracy develops further."

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Dutch ODA to the Palestinian Territories

¶14. (U) The Dutch have a longstanding development cooperation program in the Palestinian Territories. Total 2008 Dutch aid was 72 million (mainly through multilateral channels such as the EU's PEGASE mechanism, but also bilaterally), focused on:

- strengthening the Palestinian Authority to provide basic services to the Palestinian population
- promoting good governance, socio-economic development, and supporting institutions building and rule of law in the framework of a Palestinian reform agenda
- providing humanitarian relief to the most vulnerable in Palestinian society
- promoting respect for human rights and democratic practice and

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values.

COMMENT

¶15. (SBU) Koenders faces two sources of pressure to revise Dutch aid policy. First, critics argue that Dutch aid is fragmented and inefficient, and the spending poorly controlled. Their arguments are gaining traction as a result of the current economic downturn with greater scrutiny of government expenditures. The recent disclosure that the GONL spends 60 million euro from the development budget to generate public support in the Netherlands was an embarrassing episode. Second, the aid budget will undergo cutbacks as it is linked to falling GDP. Nonetheless, when the GONL recently decided on a stimulus and savings package in response to the economic crisis (Ref B), it emphatically refused to give in to opposition calls to depart from the 0.8 percent principle and reduce aid.

¶16. (SBU) Koenders will fight to preserve the GONL's status as an important global donor, holding the line on Dutch calls to cut aid expenditures and championing a new approach to development assistance. Calling on multilateral financial organizations to "modernize" or face possible financial consequences strengthens his hand at home. It also makes him a potential ally given U.S. priorities for UN reform. During his April visit to Washington, Koenders expressed eagerness to cooperate more closely with the United States on foreign assistance. He was also recently named a UN special envoy for reform of the international financial architecture, in which capacity he will work with the Stiglitz Committee to explore ways to minimize the impact of the economic crisis on the "most vulnerable" of the developing countries. END COMMENT.

GALLAGHER